

DIRECT TESTIMONY
OF
MARK MAPLE
ENGINEERING DEPARTMENT
ENERGY DIVISION
ILLINOIS COMMERCE COMMISSION

ALLIANT ENERGY – SOUTH BELOIT WATER,
GAS & ELECTRIC COMPANY

DOCKET NO. 00-0721

JUNE 12, 2001

1 1. Q. Please state your name and business address.

2 A. My name is Mark Maple and my business address is Illinois Commerce
3 Commission, 527 East Capitol Avenue, Springfield, Illinois 62701.

4 2. Q. By whom are you employed and in what capacity?

5 A. I am employed by the Illinois Commerce Commission ("Commission") as an
6 Energy Engineer in the Engineering Department of the Energy Division.

7 3. Q. Please state your educational background.

8 A. I hold a Bachelor of Science degree in Mechanical Engineering and a minor
9 in Mathematics from Southern Illinois University in Carbondale, Illinois. I am
10 also a registered Professional Engineer Intern in the State of Illinois.

11 4. Q. What are your duties and responsibilities as an Energy Engineer in the
12 Engineering Department?

13 A. My primary responsibilities and duties are in the performance of studies and
14 analyses dealing with the day-to-day, and long-term, operations and planning

15 of the gas utilities serving Illinois. For example, I review purchased gas
16 adjustment clause reconciliations, rate base additions, levels of natural gas
17 used for working capital, and review utilities' applications for Certificates of
18 Public Convenience and Necessity. I also perform utility gas meter test shop
19 audits.

20 5. Q. What is the purpose of this proceeding?

21 A. On November 8, 2000, the Commission initiated its annual reconciliation of
22 the Purchased Gas Adjustment ("PGA") for calendar year 2000, as filed by
23 South Beloit Water, Gas & Electric ("South Beloit" or "Company"), pursuant
24 to Section 9-220 of the Illinois Public Utilities Act ("Act"). This investigation
25 was initiated to determine whether South Beloit's PGA clause reflects actual
26 costs of gas and gas transportation for calendar year 2000 and whether
27 those purchases were prudent.

28 6. Q. What is your assignment within this proceeding?

29 A. My assignment is to determine if South Beloit's natural gas purchasing
30 decisions made during the reconciliation period were prudent.

31 7. Q. Have you made a determination if South Beloit's natural gas purchasing
32 decisions made during the reconciliation period were prudent?

33 A. Yes. Using the Commission's criteria for prudence, I have determined South
34 Beloit's natural gas purchasing decisions were prudent.

35 8. Q. What criteria does the Commission use to determine prudence?

36 A. The Commission has defined prudence as:

37 **[...] that standard of care which a reasonable person**
38 **would be expected to exercise under the circumstances**
39 **encountered by utility management at the time decisions**
40 **had to be made. In determining whether or not a**
41 **judgment was prudently made, only those facts available**
42 **at the time the judgment was exercised can be**
43 **considered. Hindsight review is impermissible.**

44 **Imprudence cannot be sustained by substituting one's**
45 **judgment for that of another. The prudence standard**
46 **recognizes that reasonable persons can have honest**
47 **differences of opinion without one or the other**
48 **necessarily being 'imprudent'. (Docket No. 84-0395,**
49 **p.17).**

50 9. Q. What material did you review to determine the prudence of South
51 Beloit's natural gas purchasing decisions during the reconciliation
52 period?

53 A. I reviewed the direct testimony of South Beloit's witness Brian
54 Penington. I also reviewed Company responses to numerous Staff
55 data requests that directly addressed issues related to the prudence
56 of South Beloit's natural gas purchasing.

57 10. Q. Does Staff have any issues that it would like South Beloit to consider
58 for future gas purchases?

59 A. Yes. Staff believes that price stability as well as the commodity cost
60 of the natural gas should be a factor in utility purchasing decisions.
61 The recent spike in natural gas prices demonstrates the difficulty
62 consumers face when gas prices rise unpredictably. Greater price
63 stability could mitigate some of the negative impacts currently facing
64 Illinois gas consumers. However, providing this price stability could
65 also result in higher than index natural gas pricing at times.

66 11. Q. Please explain the meaning of “index natural gas pricing”.

67 A. In “index natural gas pricing”, the price of the natural gas fluctuates
68 with the contract specified “index”. The “index” could refer to natural
69 gas pricing data published by commonly used gas industry
70 publications such as “Gas Daily” or “Natural Gas Intelligence”. These
71 publications provide pricing information for various delivery points or
72 “Hubs” and for specific time periods such as day, week, or month.
73 For example, a contract for natural gas may define “Daily Price” as
74 the price published in “Gas Daily” for the specific day under
75 consideration and for deliveries to a specific delivery point. To
76 summarize, the contract price for the natural gas is the specified

77 "index price" which fluctuates with the gas market for the delivery point
78 and time period specified.

79 12. Q. Does Staff have any recommendations for South Beloit regarding
80 future natural gas purchasing practices?

81 A. Yes. South Beloit should consider purchasing a portion of its gas
82 supply with contracts not tied to index pricing. The Company should
83 weigh the risk and the benefits of non-index pricing and develop an
84 appropriate gas purchasing strategy using prudent risk management
85 practices. This strategy should help provide greater price stability for
86 Illinois consumers.

87 13. Q. Does this conclude your direct testimony?

88 A. Yes, it does.

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

ILLINOIS COMMERCE COMMISSION	:	
On Its Own Motion	:	
-vs-	:	
SOUTH BELOIT WATER, GAS AND	:	00-0721
ELECTRIC COMPANY	:	
	:	
Reconciliation of revenues collected under gas	:	
adjustment charges with actual costs prudently	:	
incurred.	:	

NOTICE OF FILING

To Attached Service List:

YOU ARE HEREBY NOTIFIED that we have, on the 12th day of June, 2001, forwarded to the Chief Clerk of the Illinois Commerce Commission, for filing in the above-captioned docket, the Direct Testimony of the Illinois Commerce Commission Staff Witness Mark Maple of the Energy Division, Engineering Department, a copy of which is hereby served upon you.

Steve Knepler
Supervisor
Accounting Department
527 East Capitol Avenue
Springfield, IL 62701

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT copies of the foregoing Notice, together with the documents referred to therein, were served upon the parties on the attached Service List, by messenger, electronic mail, facsimile and/or first-class mail, proper postage prepaid from Springfield, Illinois, on this 12th day of June, 2001.

Steve Knepler
Supervisor
Accounting Department

SK:blc
Enclosures

SOUTH BELOIT WATER, GAS AND ELECTRIC COMPANY
Docket No. 00-0721
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ILLINOIS COMMERCE COMMISSION

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